

**EXECUTIVE SECRETARIAT
ROUTING SLIP**

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SUSPENSE		_____ Date _____			

Remarks

Please provide necessary support
to State.

Executive Secretary

11 March 1985

Date

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State Dept. review completed



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United States Department of State

Washington, D.C. 20520

March 8, 1985

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MEMORANDUM FOR:

P	-	Mr. Armacost
E	-	Mr. Wallis
T	-	Mr. Schneider
M	-	Mr. DePree, Acting
C	-	Mr. Derwinski
ARA	-	Mr. Motley
EAP	-	Mr. Wolfowitz
EUR	-	Mr. Burt
IMN	-	Mr. DiCarlo
INR	-	Mr. Abramowitz
IO	-	Mr. Newell
NEA	-	Mr. Murphy
OES	-	Mr. Malone
S/P	-	Mr. Rodman
S/NP	-	Mr. Kennedy
AID	-	Mr. McPherson
CIA	-	
CEA	-	Mr. Sprinkel
COMMERCE	-	Mrs. Robbins
INTERIOR/	-	Mr. Gleason
USGS	-	
GSA	-	Mr. Kline
LABOR	-	Mr. Searby
TREASURY	-	Mr. Hicks
USDA	-	Mr. Lett
USTR	-	Mr. Smith
USIA	-	Mr. LaSalle

Executive Registry

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SUBJECT:

Papers for the Sixth ASEAN-U.S. Economic Dialogue, Washington, April 2-3, 1985

E LIAISON:

David M. Sloan, 632-7448, Room 7260

EAP COORDINATOR:

Edward J. Chesky, EAP/EP, 632-4835, Room 5321

S/S PROJECT
OFFICER:

Angus Simmons, 632-1523, Room 7241

Under Secretary Allen Wallis will head the U.S. Delegation to the ASEAN-U.S. Economic Dialogue in the Department of State, April 2-3, 1985. This memorandum assigns drafting and clearing responsibilities for the preparation of papers related to the Dialogue.

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- 2 -

I. GENERAL PROCEDURES

A. All papers must be cleared as indicated. Two copies of single-spaced draft papers (with all but E clearances) should be delivered to E (Room 7256, Department of State) by 4 p.m., March 23. E will notify drafting officers that changes in draft papers are required or that they can deliver final papers with no change directly to S-S/S. Final, fully cleared papers should be delivered to S/S-S by 4 p.m., March 26.

B. Agenda, country, project, and background papers for the briefing book should be prepared on 8 1/2" by 11" plain white bond paper, observing the sample formats contained in Attachments 1, 2, 3, and 4. Drafting and clearing information for all papers should be on the last page. Agenda papers should not exceed three pages in length, including the principal objectives and talking points. Other papers should not be more than one page in length, with contingency talking points not exceeding one additional page. It is essential that drafting officers obtain all Department of State and interagency clearances prior to submission of drafts to E.

II. PAPERS

A. Scope Paper. EAP should prepare a scope paper outlining the issues and objectives for the Dialogue. The format is a briefing memorandum from Mr. Wolfowitz to Mr. Wallis. It should place the meeting in the perspective of U.S. economic relations with ASEAN members and our expectations of the Sixth ASEAN-U.S. Economic Dialogue. Clear with E and EB.

B. Country Papers. EAP should prepare a country paper on each of the six member nations of ASEAN using the format of Attachment 1. Each paper should provide general political and economic information as well as specific problems or key issues of the country. Clear with E and P.

E. Agenda, Background, and Project Papers. The agenda papers should be drafted using the format in Attachment 2. Background papers should be like Attachment 3. Project papers should follow the format in Attachment 4.

D. Biographies. EAP should provide to S/S-S by 4 p.m., March 12 a list of the names of all senior members of the ASEAN delegations. S/S-S will obtain biographic sketches for the briefing book from this list.

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- 3 -

LIST OF AGENDA PAPERS

	<u>Draft</u>	<u>Clear</u>
I. Opening Remarks by U.S. and ASEAN Spokesmen.....	EAP	EB
II. Business Arrangements.....	EAP	
III. Adoption of the Provisional Agenda.....	EAP	
IV. Review of International Economic Issues of Common Concern to ASEAN and the United States	EB & EAP	
V. Review of ASEAN-U.S. Dialogue.....	EAP	
VI. International Trade Issues		
A. U.S. Trade and Tariff Act of 1984	USTR	EAP, EB
B. GATT Matters (including Codes & New Round) ..	USTR	EAP, EB
C. Textile Trade (including MFA Renewal)	USTR	EAP, EB
D. Commodity Issues: Rubber.....	EB	EAP, USDOC
Sugar.....	EB	EAP, USDA
Tin.....	EB	EAP, GSA
E. Protection of Intellectual Property.....	EB	EAP, USTR
F. Specific Trade Issues (ASEAN to specify)....	EB	EAP, USTR, USDOC
VII. International Financial Issues		
A. Development Cooperation.....	AID	EAP, EB, TREAS
B. Investment Issues and Climate.....	EB	EAP, USTR, TREAS
VIII. Briefing by the ASEAN-US Business Council.....	EAP	EB
IX. Other Matters.....	EAP	
X. Consideration of the Joint Press Statement.....	EAP	EB
XI. Concluding Statements.....	EAP	EB

LIST OF OTHER PAPERS

<u>Background Papers</u>	<u>Draft</u>	<u>Clear</u>
1. ASEAN and China.....	EAP	
2. ASEAN and Cambodia.....	EAP	
3. Indochinese Refugees.....	EAP	RP
4. ASEAN and MIAs in Southeast Asia.....	EAP	
5. ASEAN and Australia.....	EAP	
6. Pacific Basin-Human Resources Development...S/SA		EAP
7. Statistical Data on ASEAN Economies.....	EAP	

<u>Cooperative Project Papers</u>	<u>Draft</u>	<u>Clear</u>
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Individual Papers on Each Project,.....AID & Other Agencies	EAP
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-4-

NOTES: S/S-S requires the original plus three copies of all papers. Drafting and clearance information should appear on a separate page. Papers should be delivered directly to the S/S-S action officer. They should NOT be logged in.



Nicholas Platt
Executive Secretary

Attachments:

1. List of Due Dates
2. Country Paper
3. Agenda Paper
4. Background Paper
5. Project Paper

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DUE DATES:

MARCH 12

Biographies

MARCH 23 in E in draft

Scope Paper

Country Papers

Agenda, Background, and Project Papers

MARCH 26 in final in S/S-S

Scope Paper

Country Papers

Agenda, Background, and Project Papers

PHILIPPINES: COUNTRY PAPER

The Philippine economic growth rate has declined in recent years and may be negative in real terms for 1983. The country's economic difficulties are largely the result of the world-wide recession which reduced demand for its traditional exports, although structural weaknesses in the economy also played a part. The GOP resorted to heavy external borrowing to offset trade deficits. The Philippines now faces a critical liquidity problem due to capital flight and the drying up of private bank credits in the wake of political uncertainties. In October this year, the GOP declared a 21 percent devaluation of the peso and a 90-day suspension (beginning October 14) of payments on private principal debt, a likely prelude to debt rescheduling. The U.S., which has provided about \$40 million in Development Assistance and \$50 million in ESF annually, reprogrammed the FY 84 ESF to allow faster disbursement, and we are considering other support mechanisms which might be instituted once the GOP reaches agreement with the IMF on a new Standby. The longer term outlook appears more favorable due to the upturn in the world economy, recent economic reforms and underlying factors such as a highly trained labor force and geographic location. Agreement with the IMF is near, and this could be the first step toward financial recovery. However, recovery will require close cooperation among the GOP, international financial institutions and concerned bilateral partners.

Philippine economic and financial difficulties have been exacerbated by the unsettled political situation. The inconclusive Aquino assassination investigation has seriously damaged the regime's credibility, and the crucial question of Marcos' successor, including concerns over the inadequacy of the existing transition mechanism should he die or become incapacitated in office, has further weakened public confidence. In response to growing demands for him to designate a successor, President Marcos has reportedly agreed to create a post of vice president, who would be elected with the president beginning with the next scheduled presidential election in 1987. During the interim, the National Assembly Speaker would succeed Marcos should he be unable to complete his term. This change would require a constitutional amendment.

Some progress has been made on working out a revised election code for the May 1984 National Assembly elections, which will be an important test of political normalization. The democratic opposition has been focussing its energies on public demonstrations to keep Marcos off balance, but it has failed to come up with a credible candidate or program to challenge him directly. Marcos has rejected calls to resign, but it is uncertain whether the changes now being discussed concerning succession and parliamentary elections will be sufficient to check the public disaffection with his regime which has grown in recent weeks.

Draft: Xx

PROSPECTS FOR ADDITIONAL GATT TRADE NEGOTIATIONS

ISSUE

The United States is committed to continue the process of trade liberalization. At Williamsburg, the summit partners agreed to work toward trade liberalization negotiations in the GATT, with emphasis on trade with developing countries. Since ASEAN was supportive of our proposal for a North/South round at the GATT Ministerial, we should look for ways to keep the ASEAN interest in mutual trade liberalization alive.

SUGGESTED TALKING POINTS

-- Our long-term objective in the trade policy field is to maintain the momentum for trade liberalization that has built up since the GATT was founded. We have an open mind as to how this can be accomplished, and pledged at Williamsburg to continue exploring this area. Any ideas you might have would be welcome.

-- At the same time we recognize just as you do, the need to maintain the openness of existing markets, especially for products from the developing world. I assure you we do not take lightly our standstill and rollback commitments.

-- Certainly, as far as ASEAN is concerned, our market remains very accessible. Between 1972 and 1982, your exports to us have increased significantly, by over 23 percent per year. GSP has been an important factor in your export growth; your GSP shipments have increased almost five-fold over the life of the program.

-- We are willing to open our market still further. However, we will do so in the context of market-opening moves by others, and will consider whatever ideas seem promising, provided they are based on mutual market-opening. We look forward to ASEAN being active participants in whatever new round of trade negotiations emerges in the GATT.

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-2-

-- Indeed, we are very willing to explore ways in which the U.S. and ASEAN can lead the way toward freer trade by taking liberalizing measures between ourselves. Ambassador Brock's idea for the phased elimination of all barriers to trade between ASEAN and the United States presented in Singapore earlier this year was in that spirit. It is one option we are considering; we are willing to explore others, and as I said earlier your ideas are most welcome.

ESSENTIAL FACTORS

The long-term objective of the United States in the trade policy field is to maintain the momentum for trade liberalization that has built up since the GATT was founded, and to explore new opportunities for accelerating the movement toward freer trade.

In the months preceding the GATT Ministerial, the U.S. and Switzerland sought endorsement of a GATT round of trade negotiations between developed and developing countries. Although the Ministers did not agree to an immediate launching of negotiations, they did call for a study within the GATT Committee on Trade and Development (CTD) of "ways in which to facilitate increased trade between developed and developing countries."

The GATT has already approved the Secretariat's outline of the study on this issue, which we now expect will be available before the next CTD meeting in March. The CTD is also undertaking several other initiatives following up on the GATT Ministerial including a review of implementation of Part IV of the GATT and the "Enabling Clause" which outlines provisions for special and differential treatment for LDCs and tropical product consultations. The U.S. hopes that these efforts will result in the progressive integration of developing countries into the trading system by persuading them to open their markets. The structure of the proposed North/South round, which envisages tariff reductions to developing countries in exchange for LDC tariff and non-tariff concessions will contribute significantly to that objective.

The idea of a North/South Round has received additional attention since the GATT Ministerial. The Summit partners at Williamsburg agreed to "work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries."

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-3-

The ASEANS were supportive of the North/South Round at the Ministerial. Their belief that open markets are in their own best interest has been partially obscured by their short-term problems. We hope that the ASEAN countries will remain open to the possibility of a North/South Round in the future and will continue to work with us on avenues for mutual liberalization in the context of the GATT.

DRAFTED: EB/OT/ODC:M.Barrera ^{jm}
USTR:C Suro-Bredie
11/21/83 632-3202

Clearances: EB/ODC:B. Hirshorn CSB *for*
EA/EP :L.Moriarty CSB *for*
E :G.Aldonas CSB *for*
Labor :D.Parker CSB *for*
Commerce: L. Droker CSB *for*
Treasury: L.Berger CSB *for*
EA:EP: H. Bardach CSB *for*
EA:A.C. Albrecht CSB *for*

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INDOCHINESE REFUGEES

ISSUE

While the influx of Indochinese refugees into the ASEAN first asylum countries has declined markedly, the international resettlement effort has also been reduced. Some ASEAN governments fear that they may be left with a large residue of Indochinese refugees.

SUGGESTED TALKING POINTS

-- The US will give continued emphasis to the international resettlement of Indochinese refugees in ASEAN countries. President Reagan is personally committed to this program.

-- While the US ceiling for Indochinese refugees was reduced from 64,000 in FY82 to 50,000 in FY83, our actual off-take will undoubtedly be larger than last year. This is because we are processing refugees more quickly and at a higher approval rate since the President issued new processing guidelines.

-- We are working with other resettlement countries to ensure that the ASEAN first settlement countries will witness a steady reduction in the Indochinese refugee population, not only this year but until the problem is effectively resolved.

ESSENTIAL FACTORS

The Thais in particular are upset because we are unable to meet their request for 3,500 departures monthly. They would like to see our off-take keep pace with the much more efficient processing rate. We cannot, however, meet this request under current budgetary and space (in the refugee processing centers) constraints. We wish to keep the ASEANs focussed on the overall reduction in the refugee population, not on actual processing or departure figures, which will necessarily decline.

Drafted: XX
Cleared: XX

November 25, 1983

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DECL: OADR.

DEVELOPMENT COOPERATION:
NEW INITIATIVES
SUPPORTED BY OR REQUESTED OF A.I.D.

ISSUE: ASEAN Energy Cooperation in Development Project

This project was signed during the 4th ASEAN-U.S. Dialogue, and has been fully funded by A.I.D. at the original commitment of \$1.0 million. It has three sub-components, for coal utilization, energy efficiency in building construction, and alternative energy systems for water pumping. ASEAN's September 27, 1983 submission of proposals to ALO Melville has requested that the components for energy conservation and water pumping be extended or revised.

ESSENTIAL FACTORS

A successful energy conservation in building construction pilot activity has been conducted in Singapore, including some consultation with other ASEAN countries. An ASEAN workshop is planned for early 1984 that will pave the way for a broader activity involving the Philippines and Thailand. This phase could be developed as a FY 85 amendment to the ASEAN Energy Cooperation in Development Project. The Philippine USAID mission, if it goes ahead with its planned energy conservation project, might be willing to manage the activity. About \$500,000 would be needed if Singapore, Philippines, and Thailand were included in the next phase. A.I.D. could not make a formal commitment to amend the project at the Dialogue, but is willing to review the proposed amendment.

A.I.D. is working out final details to permit the water-pumping sub-component to begin. The main problem is availability of Government of Malaysia resources for the village water supply development and maintenance of the demonstration site. A.I.D. is ready to negotiate a contract with the U.S. contractor, Sheladia, for the technical assistance. No additional funding is necessary at this time to carry out this sub-component, nor does A.I.D. recommend extending this sub-component beyond the original plan.

As the U.S. Delegation departs for the Dialogue, we learn that the Indonesians may propose to extend the coal technology sub-component, and that their proposal would be presented at the Dialogue.

Clearance: AID/ASIA/ISPA: DBarrett (draft) 11/28/83
EA/EP: HBardach/EJChesky

Drafters: AID/ASIA/ISPA: LKuhn: AID/ASIA/TR: RIchord: (sub): ~~ump~~: 11/28/83